

Message Text

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SUBJECT: ICSID

1. WALL STREET JOURNAL FOR JUNE 18 CARRIED FOLLOWING
ARTICLE ON PAGE 10 WHICH IS PROVIDED FOR YOUR INFORMATION.

2. THREE BIG U.S. FIRMS SEEK ARBITRATION OF JAMAICA'S
BAUXITE MINING TAX BOOST: THE NATION'S THREE LARGEST ALUMI-
NUM PRODUCERS ASKED THE WORLD BANKS INTERNATIONAL CENTER FOR
SETTLEMENT OF INVESTMENT DISPUTES TO BEGIN ARBITRATION PRO-
CEEDINGS ON THE SHARP TAX BOOSTS ON BAUXITE MINING INSTI-
TUTED BY THE JAMAICAN GOVERNMENT.

3. IN A JOINT STATEMENT, ALUMINUM CO. OF AMERICA, REYNOLDS
METALS CO. AND KAISER ALUMINUM AND CHEMICAL CORP. SAID
EXISTING CONTRACTS INVOLVING THEIR JAMAICAN SUBSIDIARIES
PROHIBIT SUCH TAX INCREASES UNLESS THEY ARE AGREED TO BY
BOTH THE GOVERNMENT AND THE COMPANIES. THEY CLAIMED THE
LEVY IMPOSED BY JAMAICA LAST WEEK BREAKS THE EXISTING CON-
TRACT.

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4. IN NEW YORK, A SPOKESMAN FOR THE JAMAICAN GOVERNMENT

REITERATED THAT THE COUNTRY HAS "EXERCIZED ITS RIGHTS" AND WITHDRAWN FROM THE JURISDICTION OF THE INTERNATIONAL CENTER INVOLVING "ANY CLASS OF DISPUTES SPECIFICALLY PERTAINING TO MINING OR MINERAL RESOURCES." HE SAID THE ACTION HAD BEEN TAKEN MAY 9, BEFORE THE ALUMINUM COMPANIES ANNOUNCED THEIR

INTENTIONS TO PURSUE THEIR DISPUTE IN INTERNATIONAL ARBITRATION.

5. AT THE INTERNATIONAL CENTER IN WASHINGTON, A SPOKESMAN CITED A SECTION OF THE ORGANIZATION'S CONVENTION THAT LEAVES CONSIDERABLE ROOM FOR INTERPRETATION. AT ONE POINT, THE CHARTER SAYS, "WHEN THE PARTIES HAVE GIVEN THEIR CONSENT, NO PARTY MAY WITHDRAW ITS CONSENT UNILATERALLY." BUT LATER IN THE SAME SECTION, IT PROVIDES THAT A COUNTRY MAY "NOTIFY THE CENTER OF THE CLASS OR CLASSES OF DISPUTES WHICH IT WOULD OR WOULDN'T CONSIDER SUBMITTING TO THE JURISDICTION OF THE CENTER."

6. SERVE AS A TRIBUNAL: THE SPOKESMAN SAID THAT THE CENTER WOULD SERVE AS A TRIBUNAL IN ANY CASE WHERE ONE MEMBER IS INVOLVED WITH ANOTHER. BOTH JAMAICA AND THE U.S. ARE PARTIES TO THE INTERNATIONAL CENTER'S CONVENTION, AND IT IS EXPRESSLY MENTIONED IN THE BAUXITE CONTRACTS THE THREE COMPANIES HAVE HAD WITH JAMAICA. IT IS UNCLEAR WHAT WOULD HAPPEN IF ONE PARTY WAS FOUND IN VIOLATION, SINCE SUCH A CASE NEVER HAS ARISEN, HE SAID.

7. THE JAMAICAN TAX, PRODUCING REVENUE OF OVER \$11 A TON COMPARED WITH LESS THAN \$2 A TON LAST YEAR, ALSO APPLIES TO ALCAN ALUMINIUM LTD., ANACONDA CO. AND REVERE COPPER AND BRASS INC. HOWEVER, THOSE THREE COMPANIES SAID THEY DON'T HAVE CLAUSES IN THEIR CONTRACTS PROVIDING FOR INTERNATIONAL ARBITRATION.

8. SEPARATELY, WHITE HOUSE ECONOMIC COUNSELOR KENNETH RUSH INDICATED THAT THE U.S. GOVERNMENT IS UNHAPPY WITH THE JAMAICAN ACTION AND SAID HE HOPES FURTHER NEGOTIATIONS MAY RESULT IN A BETTER SETTLEMENT. ASKED TO COMMENT ON THE JAMAICAN TAX, HE SAID HE "DEPLORES ACTION BY ANY RAW-MATERIAL-PRODUCING COUNTRY THAT RAISES PRICES IN A WAY THAT

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FUELS THE FIRES OF WORLD-WIDE INFLATION."

9. ALCOA AND KAISER ISSUED STATEMENTS CRITICAL OF THE JAMAICAN ACTION, IN ADDITION TO THE JOINT RELEASE WITH REYNOLDS METALS. JAMAICA HAS MADE THE FIRST PAYMENTS DUE THIS SATURDAY, AND JOHN D. HARPER, ALCOA'S CHAIRMAN, SAID HIS COMPANY WILL PAY THE ADDITIONAL REVENUE "UNDER PROTEST."

10. WILLING TO DISCUSS DEMANDS: CORNELL C. MAIER, KAISER ALUMINUM'S PRESIDENT, INDICATED HE IS WILLING TO DISCUSS JAMAICA'S FURTHER DEMANDS THAT IT BE ALLOWED TO PURCHASE JAMAICAN LAND OWNED BY THE COMPANIES AND EQUITY IN THE ALUMINUM COMPANY SUBSIDIARIES THERE. "WHAT WE SEEK IN JAMAICA ISN'T LAND; ITS BAUXITE," HE SAID. "ASSUMING WE

RECEIVE A FAIR PRICE FOR THE LAND RIGHTS WE NOW HOLD, AND A LONG-TERM, WORKABLE ARRANGEMENT ON ALL ISSUES, WE BELIEVE JAMAICAN OWNERSHIP OF OUR BAUXITE LANDS CAN BE GOOD FOR BOTH JAMAICA AND THE COMPANY," HE ADDED. THAT WOULD GIVE JAMAICANS "A STRONGER SELF-INTEREST IN THE SUCCESS" OF KAISER OPERATIONS THERE, HE ADDED.

11. MR. MAIER SAID THAT TAKING THE DISPUTE TO ARBITRATION DOESN'T IMPLY "AN UNFRIENDLY ATTITUDE" BETWEEN THE COMPANY AND THE GOVERNMENT.

12. BOTH ALCOA AND KAISER WARNED IN THEIR STATEMENTS THAT THE HIGHER COST OF JAMAICAN BAUXITE MAKES ALTERNATIVE ALUMINUM ORES SEEM MORE ECONOMICAL. A NUMBER OF COMPANIES, INCLUDING THE TWO, HAVE DEVELOPED THE TECHNOLOGY TO PRODUCE ALUMINUM FROM OTHER ORES, AND NOW ARE TRYING TO CUT THE COST OF THAT OPERATION. SISCO

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